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SUBJECT: USAID/IRAQ HELPS CAPTURE \$1 BILLION PER YEAR
FLARE GAS FOR POWER PLANT FUEL

1. BEGIN SUMMARY: With elections approaching and essential services still lagging, improved service delivery of electricity is critical. Yet every day Iraq's southern oil fields burn off gas associated with oil production, gas that could drive 3,500 megawatts (MW) of generator power worth \$9 billion USD per year. With USAID's assistance, Iraq is setting the groundwork to capture a portion of this wasted gas. Ultimately, this will occur when Iraq commissions a long-delayed new gas gathering and treatment plant in Basra. END SUMMARY.

BACKGROUND ON THE PROBLEM

2. With falling temperatures and anxious Iraqis setting their eyes on the upcoming elections, improved electricity delivery continues to be a primary political motivator in Iraq. In the southern area of Iraq, an estimated 800 million standard cubic feet per day (scf/d) of gas associated with oil production is flared to the atmosphere instead of being captured for economic use. If available for power generation, this gas could drive generators that produce up to 3,500 Megawatts (MW) of electric power for the Iraqi power grid. Today, the Iraqi grid provides roughly 5,000 Megawatts in total. This amount is equal to half of the national demand. Gas is a preferred fuel for power generation in the many gas turbines Iraq has deployed over diesel, crude oil or refinery residual heavy fuel oil (HFO) due to its clean burning characteristics which greatly reduces maintenance and decreases downtime and enables increased gas turbine unit outputs. All U.S. agencies are therefore interested to provide assistance to the GOI to capture this flare gas in every way possible.

MINISTRY REQUEST FOR HELP

3. The Ministry of Oil's State Company for Oil Projects asked USAID for help at the Zubair Oil Field in Basra, classified in the industry as a "giant field" because it contains over five billion barrels of producible oil. The ministry completed construction of a new gas-gathering plant in 2003, however, the international contractor fled before starting up the plant due to security issues. Since then, the ministry has not been able to gain access to the new plant's control system computers nor has it been able to start up the new plant. As a result, the plant remains idle. Meanwhile, 100 million standard cubic feet of associated gas continues to be flared into the atmosphere.

INITIATIVE

4. At the request of the Iraqi Ministry, USAID, under its Capacity-Building Program (known as Tatweer in Iraq, Arabic for "development"), agreed to

take on removing this initial roadblock to the gathering of the flared associated gas in Zubair. Working with ministry engineers, USAID experts tracked down the company that designed the control systems. USAID assisted the ministry in obtaining from the design company the codes and procedures, which will facilitate the commissioning of the plant. With this information, ministry engineers in Basra now have successfully turned on all the related digital equipment in the facility and the plant can be made ready for commissioning.

A FLY IN THE OINTMENT

15. The ministry requested further USAID assistance to obtain training and startup support from the vendor of the control consoles. This is not an easy task, since the training simulators are in Dubai where visas are unavailable for Iraqis. Meanwhile, the vendor is unwilling to send representatives to Iraq to train staff and provide plant startup support in country. USAID is working with the ministry to overcome these further obstacles. A training simulator will be moved to Turkey and on-line remote monitored by vendor engineers will be provided for the initial operation period. The ministry is now reviewing a proposal from the vendor to provide these training and start-up assistance services, and a solution is at hand. This was a practical opportunity for USAID to interact with the ministry in problem-solving techniques using this as a case study. While the ministry has now solved this immediate problem, it has also gained experience at

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detecting problems and finding alternative solutions. This experiential learning and doing approach is one component of USAID's efforts to make the ministries self-diagnosing and self-sustaining.

TANGIBLE RESULTS

16. After years of delay in commissioning the Zubair Gas Plant and its attendant loss of a precious resource, the GOI requested USAID's help, and is now preparing to commission the plant for the production of liquefied petroleum gas and fuel gas. When this happens, this will contribute to a proportionate reduction in the need for crude oil and imported diesel for power generation and increase the production of liquefied petroleum gas, an expensive product currently being imported. It will also reduce environmental impacts due to the elimination of current flare burning as the gas is diverted into use to displace heavier fuels. The captured gas at Zubair is valued at \$1 billion per year. While electricity remains a challenge in Iraq, this is an important measurable step forward for the Electricity Ministry and for the Iraqi people. It also reflects on the entree the U.S. Mission has with the ministries and how USG capacity-building assistance efforts are poised to produce measurable impacts.

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